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NEW NONSTOP SERVICE TO GUADALAJARA - OLE!

Mexicana Airlines is now offering new nonstop service to Guadalajara, Mexico from San Antonio International Airport. Mexicana Airlines will serve the new destination with newly acquired Air Bus 319 and Air Bus 320. The schedule will include San Antonio departures on Sunday, Wednesday and Thursday at 12:10 p.m. arriving in Guadalajara, Mexico at 2:10 p.m. Flights departing Guadalajara will leave at 9:10 a.m. on Sunday, Wednesday and Thursday and arrive in San Antonio at 11:00 a.m.

Mexicana also offers daily nonstop service from San Antonio to Mexico City. Both the new Guadalajara and Mexico City service will benefit the business traveler, and provide connectivity to a much wider range of destinations in Mexico. Its fleet is considered one of the most modern and youngest worldwide, transporting over 8 million passengers between 53 destinations in North, Central, South America and the Caribbean. As a member of the prestigious Star Alliance, the largest airline network in the world, Mexicana offers its passengers extended benefits, mileage accrual, access to executive lounges and coordinated flight schedules designed to connect with vast networks that include over 720 destinations worldwide.

Mexicana initiated its first flight to San Antonio on September 10, 1957. The airline has maintained uninterrupted San Antonio-Mexico City service since that beginning date. "We have worked closely with Mexicana over the years and are very excited that they have decided to expand service in the San Antonio market to now include Guadalajara, Mexico," said Aviation Director Kevin Dolliole.

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MEXICANA OPENS EXECUTIVE LOUNGE AT SAT

At a February 6, 2003 ceremony, Mexican Airlines opened its new Executive Lounge, conveniently located in Terminal One, across from Mexicana's Gate 11. Mexicana becomes the only carrier to have an Executive Lounge in Terminal One, which is also open to Star Alliance carrier customers.

With 16 weekly departures between San Antonio and Mexico, From left, Deputy City Mgr. Rolando Bono, waiting passengers can now enjoy great amenities such as delicious appetizers, snacks, a complimentary bar, a wide array of beverages and sodas, plus comfortable, lofty chairs and sofas. In Aviation Director Kevin Dolliole. addition to the amenities mentioned, the lounge offers an assorted variety of weekly, monthly and quarterly publications for one's reading pleasure.



Consul General of Mexico in S.A. Carlos Vidali, Mayor Ed Garza, Executive VP of Mexicana Antonio Martinez Salinas, and

"We recognize the contribution that Mexicana makes to our community by providing convenient, nonstop service to Mexico destinations for our business and leisure travelers. We look forward to continued good relations and future air service improvement," said Aviation Director Kevin Dolliole.

TENANT SPOTLIGHT: SAT WELCOMES M7 AEROSPACE



Aerial view of M7 Aerospace

AED

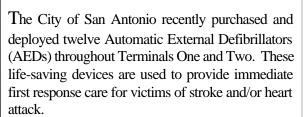
M7 Aerospace LP became the newest name at San Antonio International Airport on April 1, 2003 when it took over operational control of the combined assets of three functioning former Fairchild subsidiaries: Merlin Express, Metro Support Services, and Gen-Aero, as well as the assets of Dornier Aviation (North America) (DANA).

M7 was awarded the Fairchild assets in San Antonio by a federal bankruptcy court in December 2002. In February of 2003, M7 Aerospace was additionally awarded the assets of Domier Aviation (North America) (DANA) by a federal bankruptcy court in Alexandria, Virginia.

M7 has consolidated the assets of these operating companies into a single organization with four business lines: Parts and Customer Support; a Repair Station; Government Programs; and Manufacturing. The Parts and Customer Support business serves the operators of Dornier 328 turboprop and jet regional airliners, as well as the operators of Fairchild Metro and Merlin turboprop aircraft. M7's Repair Station, which formerly operated under the name Gen-Aero, caters primarily to regional airliners, with an initial focus on Fairchild Metros, Domier 328s and Embraer 135 series regional jets. The Government Program unit of M7 Aerospace holds an ongoing contract with the U.S. government to provide contractor logistics support. M7 is actively working to win additional aerospace support contracts. In addition, M7 is in discussions with several major aerospace manufacturing companies to secure added work in its manufacturing facilities.

As a consequence of the Fairchild Dornier bankruptcy, M7 began operations with approximately 200 employees, and will use the acquired assets as a launch platform for future growth.

LIFE-SAVING DEVICES ADDED TO TERMINALS



The AEDs are used when an individual suffers from ventricular fibrillation (VF), which can lead to cardiac arrest. They are designed to detect a shockable rhythm, VF, and then deliver a shock to the heart, which will convert it back to a more normal state. According to the American Heart Association, there is an 85% survival rate if the AED is used within the first three minutes of a heart problem. The survival rate decreases approximately 10 percent as each additional minute passes.

Almost 80 Aviation Department employees, plus airline personnel, have been trained to operate the AEDs. "Having personnel administer CPR and use the readily available AEDs are tremendous steps in the right direction toward making emergency care available for individuals who have suffered cardiac arrest while on airport property," said Fire Captain Melvin Keilers with the Airport Rescue and Fire Fighting Station. "There are a number of airports throughout the country that already have programs of this type established and have reported numerous instances where this training and equipment has saved lives."

SOUTHWEST ADDS SECOND FREQUENCY TO BALTIMORE



On April 6, Southwest Airlines began offering an additional daily nonstop flight to and from SAT and Baltimore, Maryland. This flight departs at 7:30 a.m. In addition to the new early morning departure, Southwest continues to offer an 11:35 a.m. departure to Baltimore (BWI). Southwest offers San Antonio 47 daily flights to 11 markets.



AERO SKY RECEIVES INCENTIVES FOR EXPANSION AT SAT



The City continues to see the fruits of its efforts to grow the Aerospace Industry in San Antonio. On May 29, 2003 Aero Sky, a heavy maintenance FAA Approved Repair Station located at San Antonio International Airport (SAT), received City Council approval for a 25-year lease and tax abatements totaling \$142,000. The tax abatement on Aero Sky's proposed \$4.26 million maintenance and refurbishment facility expansion would last for six years of the 25-year ground lease at SAT. Based on validated expenditures, Aero Sky could also be eligible for ground rental abatement for a ten-year period. This would result in an annual ground rental reduction of \$58,054, up to \$580,540 over 10 years.

Aero Sky's \$4.26 million investment will include a new 83,200 square-foot hangar and ramp, a parking lot, and a new 40,000 square-foot maintenance facility. It also covers the demolition of more than 41,000 square feet of existing buildings. Construction on a new state-of-the-art 83,200 square-foot hangar and adjoining partial apron is expected to start this summer followed by demolition of the existing hangar and office building with construction of new offices and additional apron to be completed during late 2004. The final expansion phase includes construction of a new 40,000 square-foot building to contain maintenance shops, administrative offices and storage estimated for completion in the summer of 2005.

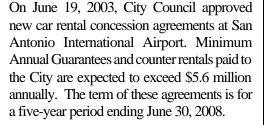
Aero Sky provides heavy maintenance and interior refurbishment services for overseas air carriers including VIP and commercial aircraft. Aside from heavy checks and modifications on B727, 737, DC9 and MD80 series aircraft, Aero Sky performs routine and non-routine maintenance on Boeing, Airbus, BAC1-11, Cessna Citation and Lear Jet aircraft. Aero Sky has been performing line maintenance for airlines such as Delta, America West, Express One and DHL at San Antonio International since 1993.

The company now employs 40 workers, but will double that with the expansion.



NEW CAR RENTAL CONTRACTS APPROVED

















CONTINENTAL ADDS SECOND FLIGHT TO CLEVELAND



Continental started its new nonstop service to Cleveland, Ohio on May 2, 2003 and has since added a second daily flight. In addition to the daily AM departures, there is now a flight departing San Antonio to Cleveland at 1:50 p.m. and arriving in Cleveland at 5:53 p.m. This service is provided on Continental's fast, quiet 50-passenger Express Jet.



SAN ANTONIO CONVENTIONS

During the third quarter of 2003, the City of San Antonio will host more than 30 conventions with over 70,000 delegates. Among those visitors to San Antonio will be:

| DATES | ORGANIZATIONS | | | DELEGATES |
|---|---|----------------------------------|---------------------------------|-----------|
| July 7-11 | Assoc. of Vineyard Churches U.S. of America | | | 3,500 |
| July 20-23 | National Assoc. of Resource Conservation & Develop. | | | 2,200 |
| July 27-30 | y 27-30 Texas Bandmasters Association | | | 4,500 |
| August 3-7 | August 3-7 Microscopy Society of America | | | |
| August 18-21 | • | | | |
| August 22-29 Veterans of Foreign Wars of the US | | | | 12,000 |
| Sept. 12-13 Armstrong McCall | | | | 15,000 |
| Sept. 21-24 National School Supply & Equipment Assoc. | | | 2,000 | |
| Sept. 30-Oct. 3 | | | | 1,400 |
| | 200 | O3 SAT YEAR-TO Through March '02 | D-DATE STATS Through March '03 | Change |
| Domestic Enplanements | | 752,551 | 735,519 | -2.3% |
| International Enplanements | | 17,204 | 16,571 | -3.7% |
| Charter Enplanements | | 13,752 | 6,334 | -53.9% |
| Total Enplanements | | 783,507 | 758,424 | -3.2% |
| Total Freight (lbs) | | 51,738,090 | 40,268,123 | -22.2% |

12,132,631

Total Mail (lbs)

20,609,693

69.9%